Oxford House Alumni Association
4545 Connecticut Avenue, NW
Suite 313
Washington, DC 20008
Tel: 202-364-2870

October 12, 1990

Mr. Ripley E. Forbes
Staff Associate
Subc. on Health & Environment
Rayburn Office Bldg., Rm. 2415
Washington, D.C. 20515

RE: Oxford House Contracts and Organizational Status

Dear Mr. Forbes:

It is with regret that I inform you that contracts negotiated by Paul Molloy in the name of Oxford House, Inc. were negotiated and signed without the knowledge or approval of the governing board of the corporation. Molloy, who claimed to be "chief executive officer" of Oxford House, Inc., was in fact never an officer of the corporation until July 1990, and then at least until late August he was forbidden to sign contracts on behalf of the corporation.

I will explain how this peculiar and unfortunate situation came about.

First let me introduce myself. I met some of the state alcohol and drug directors shortly after passage of the Anti-Drug Abuse Act of 1988 when Molloy and I met with the NASADAD directors in Palm Springs, Calif. I have met other state alcohol and drug officials and foundation officials while traveling on behalf of Oxford House. I have been associated with Oxford House from the beginning. I helped start the first Oxford House, was first president of that house, helped start the second Oxford House and was its first president, and was the first board chairman of Oxford House from 1975 until 1980. I have been connected with Oxford House during all its expansion until last October and have been to every meeting of significance since its inception. The recent Oxford House expansion was my idea. I have been an occasional consultant to the NIAAA on transitional housing for alcoholics. I mention this so you will know I understand the organization, its goals and how it got where it is.

A brief history might help. During the first 13 years of its existence, Oxford House had about 10 houses. The parent organization, Oxford House, Inc., was very informal. It had no employees, never had a bank account over several hundred dollars, and during most of the years wasn't even incorporated. The houses and the organization worked fine that way.

In October, 1987, after some of us decided the organization deserved a chance to expand, we incorporated and rewrote the bylaws. Among other things, the new bylaws provided for a Founder's Committee to promote Oxford House expansion and have separate bank accounts for that purpose.

In November, 1988, the bylaws were amended to provide for an interim board of directors for about a year until a permanent board would replace it. (The original Oxford House board of directors was made up of the president of each house).

Problems emerged in the fall of 1988 shortly after passage of the Anti Drug Abuse Act of 1988, the one that requires each state to set aside $100,000 to lend to recovering people to open houses based on the Oxford House model. It was Molloy's association with Rep. Edward Madigan (R-Ill.) that led to inclusion of that amendment in the act.

A few months after passage, Molloy wrote an unsolicited proposal for ADAMHA, a branch of the Department of Health and Human Services, in which he sought $1.5 million a year for three years to spread the Oxford House concept. In the proposal Molloy sought to become the first Oxford House employee at $120,000 per year with fringe benefits raising his compensation to $168,000 per year (he found a way to lump salaries together in the final proposal) and appointed himself "chief executive officer" of Oxford House.

The salary figure Molloy hoped to get was more than the Secretary of Health and Human

Services or any of the members of Congress who voted for the Act were making and was obviously ridiculous, and I told Molloy so. He said he was worth it and wouldn't work for less. I protested that corporate officers were elected, not self appointed. He began signing letters as chief executive officer and never stopped no matter how often he was challenged. (HHS funded but a small portion of the proposal).

Molloy essentially took control of the corporation and its assets without anybody's permission, and began raising and spending money and negotiating contracts with states on his own. Foolishly, I kept trying to talk to him rather than acting through the interim board. Finally in the late summer of 1989 I insisted on a board meeting, which took about two months to arrange since four members of the seven-member interim board had not even been chosen and Molloy was slow to agree to a meeting.

The interim board was composed of the Founder's Committee, made up of Molloy, myself and Whit Holden, one member we selected, and three members chosen from Oxford House residents. At the one meeting we held, I and another board member protested that we were a 501(c)(3) tax exempt corporation and certain obligations which weren't being met, and that having a self-appointed "chief executive officer" and running a recovery organization without checks and balances was unprecedented. A vote appeared in doubt because Molloy had hired two of the board members who lived in Oxford House (he later hired the third when she became a member of the permanent board), and they, of course, spoke for him and one member was absent. So I let the matter drop when Molloy agreed to work out an employment contract with the permanent board which was soon to replace us. I found the events so irregular that I left Oxford House and began doing something else.

The bylaws provided for a permanent nine-member board composed, at Molloy's insistence, of people new in recovery who still lived in Oxford Houses. Rather than negotiate an employment contract with the new board when it assumed power in early 1990, Molloy virtually ignored them.

I became involved again about May this year when the board contacted me because Molloy wouldn't answer their questions, threatened to quit, and even stormed out of one meeting.

The board was surprised and deeply concerned to learn that Molloy had appointed himself "chief executive officer" and had exercised total control over the corporation without consulting anyone.

On July 5, 1990, the board mailed Molloy a copy of a board resolution revoking his authority to act as Oxford House attorney and another demanding that he disclose financial data.

Molloy's response was to claim he didn't receive the registered letter, and eight days later on July 13, to meet a deadline, he submitted a $920,000 proposal to the National Institute of Alcohol Abuse and Alcoholism. The proposal, among other things, would have Oxford House people open three methadone houses, a total violation of the primary principle of Oxford House, total abstinence from drugs and alcohol. It also would have Oxford House open three houses for ex-prisoners. The proposal was submitted by Molloy, claiming to be CEO of Oxford House when he wasn't, and the board of directors had never approved the proposal because they had never seen it. The cover letter was signed by Charles van der Burgh, who had been chosen chief financial officer of the Founder's Committee. But he too had never been elected a corporate officer by any Oxford House board of directors.

The board of directors first saw the proposal July 15, two days after it was submitted, when Molloy brought a copy to a board meeting and mentioned that there would be plenty of expense money and money for trips for board members if it went through. The methadone section only came to light because I leafed through the proposal and saw a "director of methadone programs" in an organizational chart.

It was at that July 15 board meeting with a lawyer and a CPA that Molloy admitted that he had negotiated contracts with states claiming to be Oxford House "chief executive officer" and that there would be trouble if the states found out.

At the next board meeting in August, all five board members (there were four vacancies because Molloy had hired one member and three others quit attending meetings and were removed) spoke against linking Oxford House with methadone houses, yet they postponed voting to withdraw the proposal.

Several days after that meeting Molloy told board members that Oxford House outreach people couldn't be paid if he wasn't given some authority. So they signed a resolution he wrote

naming him chief executive officer, with the provisions that it was temporary until the next board meeting and he couldn't sign any contracts on behalf of the corporation. That temporary and limited resolution in July 1990 was how Molloy first became an officer of Oxford House, Inc.

By this time Molloy was paying special attention to the board. One member who spoke loudly about the need for change became a Molloy supporter after she took an Oxford House trip with him to the Virgin Islands. Others were offered the opportunity to travel on behalf of Oxford House while remaining on the payrolls of their old employers. (There was a vote in late 1989 forbidding full-time employment of board members by Oxford House, Inc. after Molloy tried to stack the board with virtually all the people who worked for him at that time). All board members clearly expected expense money and opportunities to travel.

Observing board hesitancy, I brought up the methadone and prisoner proposals at an Oxford House "town meeting" of house presidents and others, including all five board members, on Aug. 22. There was considerable anger that Molloy had gotten Oxford House linked in any way with methadone houses, whether they would be called Oxford Houses or something else. A resolution was passed by a 24-1 vote to send the NIAAA a letter protesting the proposal and asking them to hold it in abeyance until the next Oxford House board meeting at which time they expected it to be withdrawn. Oxford House board members either voted for the resolution or didn't vote at all.

I mailed the resolution to the NIAAA. Members of the Oxford House Alumni Association, which had at least seven members at the Town Meeting, also sent a letter objecting to the Oxford House/methadone/prisoner house proposal.

I don't know what has happened since late August. One board member told me the board and Molloy had decided to ignore the group conscience and had sent the NIAAA a letter supporting the proposal or part of the proposal. If this is true it is sure to be highly divisive when the houses find out about it.

Molloy may now be the elected head of the corporation, I can't say for sure. However, I can say for sure that until very recently he wasn't an officer of the corporation at all. Charles van der Burgh was not elected financial officer by the Oxford House board, but was chosen by the Founder's Committee, a body that hasn't met for well over a year, has never approved any contracts and has never been authorized to elect corporate officers on behalf of the board of directors.

Prior to August, 1990, members of the Oxford House board of directors had never seen the contracts signed with various states by Paul Molloy on behalf of Oxford House, Inc.

We are concerned that this will give the whole concept of self-supporting, democratically run, alcohol and drug free houses a bad name. However, I and members of the Oxford House Alumni Association feel the manner in which the corporation has been managed and the refusal to abide by the clear mandate of Oxford House members regarding the methadone and prisoner houses warrants your being informed of what has happened. Oxford House Alumni Association members are concerned about the direction the organization has taken and about the unrest in Oxford Houses that has resulted.

The Oxford House system does work, not always the way we would like it to, but it works and people get sober who wouldn't otherwise make it. There is nothing hypothetical about that. Later this month Oxford House will be 15-years-old and thousands of people have benefitted.

Let us know if we can help.

Sincerely yours,

John V. O'Neill